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COMMONWEALTH DIGEST

and WORLD ECONOMIC REVIEW

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Digest Spotlight

on

The Rt. Hon.
DUNCAN SANDYS
M.P.

ALSO IN THIS ISSUE—
THE ASIAN HIGHWAY

“REVALUATION” OF
THE ROUBLE

THE TAX QUESTION
WHO WORKS LONGEST?

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COMMONWEALTH DIGEST

and

WORLD ECONOMIC REVIEW

(Founded in 1947 as ECONOMIC DIGEST)

NOVEMBER 1960

VOLUME I

No. 10

Digest Spotlight focuses on

The Rt. Hon. Duncan Sandys, M.P., Secretary of State for Commonwealth Relations

IN the Ministerial changes of July 1960, Mr. Duncan Sandys was appointed Secretary of State for Commonwealth Relations, succeeding Lord Home, who became Foreign Secretary. Soon after taking office he visited Ghana, the Rhodesian Federation (whence came stormy rumours) and the Union on the eve of referendum.

Mr. Sandys has been described as stubborn and uncompromising. His career in the House of Commons seems to bear out this view. Blond, handsome, youthful-looking, he has few intimates.

First elected at a by-election in February 1935, he was not long in making his presence felt. He launched a vigorous attack on the National Government for its slowness of action—'creeping paralysis' was the phrase he used. He accused it of inadequate social measures at home and particularly of doing nothing about the under-nourishment of a large part of the population.

He was outspoken on national defence, and particularly aircraft construction and anti-aircraft defences. The then Secretary of State for War, Mr. Hore-Belisha (later his associate in the European Movement) threatened Mr. Sandys, a Territorial Army officer, with the Official Secrets Act for his exposure of London's nakedness. There followed a celebrated case of Parliamentary privilege.

Opposed, like his father-in-law, Sir Winston Churchill, to Mr. Chamberlain's foreign policy, Mr. Sandys tried, after Munich, to organise pressure against "appeasement." War came. He served for a time with the Royal Artillery and took part in the Norway campaign. An accident incapacitated him from further military service and he returned to his Parliamentary duties. Mr. Sandys became Financial Secretary to the War Office and in 1942 Parliamentary Secretary to the Ministry of Supply. In December

1944, he was appointed Minister of Works, with Cabinet rank. He was thus responsible for organising repair of bomb damage and the first emergency rehousing measures, including the new prefabricated houses.

Though he lost his seat in the 1945 General Election, it was not long before he was again returned as the Member for Streatham. Like his great father-in-law, he has in post-war years been more closely identified with European affairs than with the Commonwealth. In December 1947, he became Executive Chairman of the international body later known as the European Movement, which in 1948 convened the Congress of Europe at The Hague, Mr. Sandys became British representative at the Consultative Assembly of the Council of Europe at Strasbourg and served there until he again took office. The green "European

Movement" flag was known as "Sandys' Pants" or "Dunc's trunks."

As Minister of Supply, Duncan Sandys' visits to Commonwealth countries included Singapore, Malaya, Australia, New Zealand and Canada. Later as Minister of Housing and Local Government, he grappled with slum clearance. As Minister of Defence he streamlined the Armed Forces and again visited Canada, and toured Africa and the Far East. Latterly, he has taken the lead in the admirable Civic Trust.

Where does he stand—on the "Right" or "Left" of the Party? What enduring principles does he champion? Mr. Sandys has spoken more than once of "World Government" as an ultimate goal: but many feel that power rather than phrases interests one of Mr. Macmillan's most deliberate, determined and imperturable "trouble shooters."

How the Congo Affects Belgian Economy

AN analysis by the National Bank (Banque de Bruxelles) shows that:

- a break between the Congo and Belgium would affect the Belgian national product to the extent of only between 3 and 4 per cent.;
- Belgium's balance of payments might, on the other hand, go into deficit, since the surplus arising from transactions with the Congo has, in the past, been greater than the total balance of payments surplus;
- an internal expansion policy might, in case of recession, prove difficult so long as the balance of payments leaves so little elbow-room;
- recovery policy should therefore be aimed at maintaining the equilibrium of the balance of payments. It should be carried out immediately while the boom in Europe still prevails, and before the point is reached at which a reduction in the deficit in the public finances would have to be superimposed upon the deflationary effects of a possible recession.

From Banques de Bruxelles Economic Bulletin.

Commonwealth Survey

(1) BIGGER MARKET DOWN UNDER

THE U.K. is still far and away Australia's largest supplier, but our average monthly exports dropped from £23.2m. in 1954 to £18.6m. in 1959. In the first seven months of this year they recovered to £21.5m. Our share of the total import market fell from 45 per cent in 1954/55 to 36 per cent in 1959/60. North American, German and Japanese suppliers have gained ground:

per cent of total Australian imports from:—

	U.K.	Dollar area	West Germany	Japan
1954/55	45	15	4	2
1955/56	43	15	4	3
1956/57	41	17	4	2
1957/58	41	17	5	3
1958/59	39	17	5	4
1959/60	36	20*	6	4

*Canada, Mexico, U.S.A. and Venezuela only.

Australia's main imports of interest to U.K. suppliers are non-electric machinery averaging £A9.9m. monthly between July 1958 and December 1959), textiles, clothing, yarns and manufactured fibres (£A8.2m.), motor vehicles and parts (£A5.6m.), other metal manufactures and metals (£A6.4m.), electric machinery (£A3.2m.), chemicals, drugs and fertilisers (£A3.5m.), and manufactured paper (£A1.2m.). Imports of chemicals, machinery and manufactured paper have grown substantially since 1954/55. Imports

of textiles, motor vehicles and parts, have dropped sharply. In every case imports from the U.K. have grown less or dropped more than total imports.

Import Controls

Several factors have contributed to this process. In the period of stringent import controls, established U.K. suppliers often suffered less than others because import entitlements were largely related to past trade. North American suppliers have benefited from relaxation of dollar import controls. Following the trade agreement of 1957, Australia reduced preferences accorded to many U.K. capital goods. (Australia's right to reduce preferences on a large number of consumer goods has not yet been exercised). Competition from Japan has increased following the abolition of tariff and quota discrimination against Japanese goods since the Australia-Japanese trade agreement of 1957.

Finally, many U.K. firms are now manufacturing inside Australia. A booklet published by the Australian Department of Trade in November 1957 listed nearly 500 U.K. companies as manufacturers in Australia or financially associated with Australian firms. From July 1947 to June 1959 U.K. investment in companies in Australia, including net income retained in Australia by U.K. firms,

totalled over £A580m.—62 per cent of all overseas investment in companies in Australia. The figure for the United States and Canada was nearly £A260m., or 27½ per cent.

Conclusion

The Australian market has become so much more competitive over the past few years that February's measures of import liberalisation

should increase competitiveness over the bulk of trade to a minor extent only. But the measures are permitting an enlargement of the total market. The rest of this year and early 1961 will be crucial in the development of Australia's import trade, and it is very important that U.K. suppliers should take full and immediate advantage of the new opportunities.

(2) COMMONWEALTH OIL

AS an oil producer, the Commonwealth is somewhat out of balance, with Canada far transcending in importance all the other members added together. Present Canadian output is around 25 million tons, in a total for the Commonwealth of about 40 millions. Moreover Canada could unquestionably step up her yield considerably should market conditions permit.

Although for the time being Canada possesses ample oil resources for her requirements, exploration is still going ahead. Recently the search has been extended to new areas—among which particular interest attaches to the Yukon Territory in the Far North. Oil was discovered last year within the Arctic Circle at Eagle Plains. Earlier this year, the Canadian Government issued long-awaited regulations concerning exploration for oil and gas in the Canadian Arctic Islands region. One somewhat unexpected item was provision for the participation of Canadians in a major capacity in all

companies taking out leases—although this does not apply to exploration permits. Hitherto the main share in developing Canada's oil and gas resources has been undertaken by U.S. concerns.

Canada

As the year progresses, it appears increasingly improbable that Canadian output will reach the level suggested by the Borden Commission—which put a target of about 35 million tons per annum by the end of 1960. This assumed larger exports to the U.S.A. as well as a considerable increase in Canada's own consumption of indigenous oil. Overall production this year is now expected to show a rise of around 10% over 1959—although if potential output was fully realised the annual level of production could almost be doubled. Somewhat more encouraging prospects are to be found as regards natural gas. During the past ten years, Canadian demand for natural gas—including exports to

From P.I.B. News Letter. (Petroleum Information Bureau).

the U.S.A.—has risen sixfold. Recent approval for a number of projects for exporting natural gas to U.S. markets holds out hopes of a further substantial demand of this product in the future.

Second among Commonwealth oil producers is Trinidad, where output is running at a slightly higher level than a year ago and is expected to top 6 million tons over the twelve months. Third, just behind Trinidad, comes British Borneo. Here production is being maintained at a fairly constant figure, but is tending to decline rather than increase.

Smaller Producers

Among the smaller producers, Nigerian output is steadily rising and if the present rate of increase continues may soon reach an annual level of a million tons. India and Pakistan continue to produce only a fraction of their needs, and output shows little change over a year ago. However, India possesses fairly considerable resources in her Nahorkatiya and Moran oilfields, and within the next year or two—when development work has been completed—these are expected to yield about 3 million tons of oil a year (nearly ten times the 1959 output). India has also endeavoured to per-

suade foreign companies in further exploration. Pakistan is less fortunate so far as proven oilfields are concerned—though further exploration is envisaged in her new Five-Year Plan which was inaugurated this year. A compensating factor, however, lies in the valuable natural gas resources which have been located in both East and West Pakistan. The former includes the Sylet field, which will shortly be fed to a new fertilizer plant which is being erected, and the Chhatak field which, later this year, is to supply fuel to a cement works. The Sui field, in West Pakistan, has already undergone considerable development and is providing an important source of power—a carbon black plant is at present being erected with a view to making further use of the gas.

Outside of the above-mentioned countries, only the U.K. produces any crude oil—and output in this country amounts to little more than 80,000 tons of petroleum, a somewhat smaller quantity of shale oil, and benzole and other products from coal which brings the total U.K. output up to about 400,000 tons over the full year. Thus total Commonwealth production is equivalent to only a fraction of overall needs.

(3) DECIMALIZATION IN SOUTH AFRICA

ON February 14, 1961, the Union will adopt decimal coinage. The new coinage will be based on a unit equivalent to 10s. sterling, which will be known as a Rand, and a Rand will be divided into 100 cents.

A decimal coinage system is expected to result in increased efficiency in

From 'Optima' (Anglo-American Corporation)

accounting, costing and pricing and a simpler method of reckoning for the public in general.

(4) OPPENHEIMER PRAISES WHITE SETTLERS

MR. HARRY OPPENHEIMER, Chairman of the Anglo-American Corporation, reminded South Africans in a Settlers Day broadcast that it was an unfortunate fact that the role of white settlers in Africa was generally misunderstood and often unreasonably condemned.

"The very word 'settler' has in wide circles acquired the connotation of 'exploiter'. It is well to remind ourse'ves therefore, that the white settlers in South Africa came to a sparsely inhabited country, torn by perpetual warfare and racked by hunger and disease," he said.

"It is the white settlers," with all their faults—and I don't suggest they were more virtuous and al-

truistic than other men—who have brought peace and order and health and progress to South Africa.

Fashionable

Mr. Oppenheimer said it was fashionable nowadays to concentrate attention on political freedom—not in the sense of freedom for the individual but in the sense of sovereign independence for countries or tribes.

"But what is such freedom worth without freedom from fear of violence, from starvation and disease.

"And these freedoms and this hope, so far as they exist and wherever they exist in South Africa, are the direct result of white settlement."

(5) A FAVOURITE FALLACY ABOUT CENTRAL AFRICA

by Dr. STEPHEN ENKE, Visiting Professor of Economics at Yale.

ANY argument that the real wealth of Central Africa should belong to the black population is racialism at its worst. It is analogous to the Nazi expropriation of Jewish property in Germany. Undoubtedly it is galling for a few educated black Africans to see white Africans enjoying the best amenities, but these white Africans did not take them from black Africans. They created them—and

frequently in their own generation. And finally they are not trying to force their culture on Africans. It is the emerging Africans themselves who want to have the things of the white man and be like him. In fact so scarce are human talents and social capital that the greatest need of all Central Africans, black and white, is more immigrants of Western culture.

The Asian Highway

by W. H. OWENS

DURING the past decade or so the construction of roads as a means towards economic and social progress has become a rapidly growing activity in many parts of the Commonwealth and the world. The most significant development has been the linking together of neighbouring highway systems into flexible international networks. This has at least a fourfold purpose: to promote trade and tourism; to provide the land locked countries with road access to ports; to assist the backward areas; and, perhaps most importantly, to allow the natural resources of a region or continent to be economically exploited and distributed for the benefit of all its people.

The outstanding example of this trend is the Pan-American Highway, an 18,000 mile network now almost completed, stretching from northern Alaska southwards to the Argentine, which serves all the continental Americas, including Canada. This, the world's longest international road network to date, will play an increasingly important rôle in the economic development of Latin-American countries, now directly linked to one another, and also to the United States, their chief source of material aid.

In Europe steady progress has been made with the integration of major highways and road transport systems, as well as, among other

things, with the simplification of frontier customs formalities. In Africa, there is the smaller-scale, but nevertheless important Cape-Nairobi highway development, planned to link the economies of, and create a common trading area among, all the territories of East, Central and Southern Africa. Its significance is that it may well be the beginning of a truly Pan-African system of transportation reaching from the Cape to the Mediterranean and from the Atlantic to the Indian Ocean.

But across the great land mass of southern Asia (which, ironically, contained the great trading routes of the ancient world) there has been no comparable development in recent times. Indeed, the poor condition of its existing highways, and in particular the lack of trans-frontier connections, is among the principal reasons why economic progress has failed to keep pace with the huge increases in population.

Apart from the large Commonwealth railway systems in India and Pakistan, there are very few international railways in southern Asia, and the existing ones are quite inadequate for today's needs. Since World War II civil aviation has been the chief means of linking together these Eastern countries. But air travel itself cannot possibly solve the fundamental problems of transport; it is, in any case, far

from New Commonwealth.

beyond the means of the vast majority of the peoples of southern Asia.

Catching up

Within the past year or two, however, practical discussions and studies have been taking place on a bold project to provide this region with an up-to-date international highways system on the lines of the Pan-American system. The plan was conceived and has been approved by the United Nations Economic Commission for Asia and the Far East (ECAFE), of which the United Kingdom, Australia and New Zealand are Commonwealth members in addition to all those within the region itself. In view of the immense social and economic problems in that part of the world, the Asian Highway proposal must be regarded as one of the most far-reaching ever made for promoting basic development and trade, and consequently raising the living standards of millions, through international transportation.

At important meetings of ECAFE's Working Groups on International Highways, held at Bangkok, New Delhi and Karachi in November and December 1959, the representatives agreed, subject to the approval of their Governments, on the routes to be included in the Asian Highway. The Highway will not be just a single ribbon of road, but an integrated network of international routes totalling more than 21,500 miles.

The plan is to join Teheran with Singapore and Saigon through

Kabul, Lahore, New Delhi, Rangoon and Bangkok, with links on the way to Karachi, Bombay, Madras, Colombo and other important cities. The international routes should form the most direct links between the various capitals, principal seaports and trade and tourist centres and provide the necessary connections with land-locked countries. Connections will be made with the European highways system on the Turkish frontier, and eventually with roads to the Middle East from the Iranian capital. Many of the ancient caravan routes that once linked India and China with Europe, but which fell into disuse as a result of widespread political and frontier changes, would be modernised and incorporated into the Highway.

Commonwealth Asset

Reference to the map will show how important the Asian Highway could be to the Commonwealth which, through India, East and West Pakistan, Ceylon, the Federation of Malaya and Singapore, would absorb more than half the entire network. Besides the unlimited opportunities for trade opened up between these countries themselves, and with their neighbours, the resulting closer unity of the Commonwealth territories in Asia would help to maintain and even extend Western influence throughout a region where there is ever increasing Communist pressure from the north and east. The long-established sea and air routes between South-east Asia and the United Kingdom would be powerfully reinforced by motor-

ised land routes all the way from Singapore to London, and the Commonwealth's ties with countries such as Iran strengthened.

From the other side of the world, Australia's growing trade and other connections with South-east Asia might be greatly extended once an international transport system on the continent materialised. Australia's natural markets lie in this region, and in the past few years she has concluded co-operative trading agreements with Asian and Far East countries.

In many and various ways the Asian Highway could help to develop the economies of the Commonwealth countries of the region. For example, Malaya's natural products are greatly needed by other Asian countries with which adequate land routes are at present lacking. Feeder roads from the Highway through India and Pakistan could help considerably in bringing new lands under cultivation to meet both these countries' urgent needs for increased food production. There would also be the benefits for Asia's new industries. To take one example, when India's new national steel-works are in full operation there will be steel available for export to her neighbours. The Highway would provide a ready and economical outlet for it.

Nor must the great possibilities for tourism be overlooked. The establishment of a modern motor route from London to South-east Asia opens up exciting new vistas for the travel minded Westerner

and immense scope for a mass tourist trade in India, Pakistan and other countries comparable to that now flourishing throughout Western Europe and the Mediterranean area. Already the overland route to India has been pioneered with British motor coaches.

First Steps

The first steps towards the Asian Highway plan were taken five years ago, at the 1955 meeting of ECAFE's Highway Sub-Committee in Manila. On the advice of the delegates present, the ECAFE Secretariat began a detailed study of the twin problems of how to improve the region's existing land communications and the means whereby road links between countries could best be developed. Subsequent discussions and study tours have carried the plan forward, and, as mentioned earlier, definite route arrangements emerged from the 1959 meetings of the Working Groups. More meetings are being held this autumn and in 1961.

So vast are the distances, and so varied the problems of terrain, climate, soil foundations and so on, over the route of the Highway that the Sub-Committee decided it would be necessary to divide up the whole region into three zones or groups of neighbouring countries. Each zone has its headquarters, where the working groups of experts will meet at regular intervals for taking co-operative action on technical, financial and other problems. The western zone is concerned with the international road links through Iran,

Afghanistan and West Pakistan, and its meeting-place is Karachi. The centre zone covers routes in India, Ceylon, East Pakistan, Nepal and the motor road connections to West Pakistan and the western approaches to Burma. Finally, experts of the most easterly zone are considering the project as it affects the countries and states of South-east Asia, including Burma, Malaya and Singapore, Laos, Thailand, Cambodia and Vietnam, at meetings held at Bangkok.

The main preliminary task ahead is to provide a number of essential highway links, chiefly in South east Asia, where at present there are no roads existing at all. The condition of many other stretches of the route is such that they are quite unfit for all-the-year motor traffic and for use by heavy commercial vehicles. Bridges are badly needed in many countries or, alternatively, the establishment of efficient motor ferry services. It has, therefore, been agreed to include in the proposed standards for the international highways and bridges, the minimum level to which the roads should be up-graded. This up-grading will be achieved by stages as traffic develops and funds permit.

Ways and Means

To facilitate the programming of works, information is being collected

from all the countries concerned, by means of a questionnaire circulated by the ECAFE Secretariat, on the current deficiencies of all routes included in the network. To ensure the smooth flow of traffic and unhampered trade once the Highway is opened, it is proposed to simplify the customs and frontier procedures everywhere. This matter is being actively studied since many obsolete traditions that still hinder travel across Asian frontiers would, if not removed, completely frustrate the economic purposes of the Highway.

Naturally the question of financing such a project as the Asian Highway is immensely important, and it is clear that very substantial outside help will be required. It will be sought from such international agencies as the Commonwealth's own Colombo Plan, the World Bank and the United Nations Special Fund. Since international highways are a certain key to future prosperity and stability, the scale of the Asian Highway will result in very widespread benefits that make it a most rewarding investment. It is, indeed, one of the greatest contributions that could be made at this time towards the development of a region containing more than one quarter of the world population and the potential resources sufficient to give them a reasonable standard of living.

FOREIGN WORKERS IN GERMANY

THERE are 276,000 foreign nationals working in the Federal Republic of Germany now, about 113,000 more than a year ago. Almost one half of them (121,000) are from Italy, 33,000 from the Netherlands, 32,000 from Austria 42,000 from Spain and 3,300 from Greece.

Rural Economy

(1) DESERT OR DELUGE AT THE FLICK OF A SWITCH

by DANIEL BEHRMAN

HOW do plants adapt themselves and survive during a torrid summer in the Sahara or a long spell of heavier rain in Provence. Scientists hope that they will soon learn the answers to some of the puzzling problems of plant behaviour from a special laboratory, an "ecotron", which is to be built at Montpellier in Southern France.

By simply flicking over a switch they will be able to obtain precise data on plants growing in "climates" artificially created in the "ecotron" whose work will reinforce the offensive launched by science against some of the worst problems afflicting the world's arid zones—one third of its land surface.

Now in the planning stage with half its total budget of \$1,200,000 already allotted, the "ecotron" will be the newest chapter in the four-centuries-old history of Montpellier as a hothouse of botany. It will be the laboratory of the University of Montpellier's Institute of Botany, headed by Prof. Louis Emberger.

Professor Emberger is one of the world's leading authorities on plant ecology—the study of relationships of plants to their environment—and it was he who christened the "ecotron". Part of its name comes from ecology and the other part

from the cyclotrons used in nuclear physics. Appropriately enough, the "ecotron" will enable measurements of plant behaviour to be made with a precision usually associated with nuclear physics.

Montpellier

The Institute at Montpellier is already something of a Mecca for scientists from countries in the world's dry belt who study there under UNESCO fellowships enabling them to specialize in plant ecology.

The "ecotron" will be a powerful weapon in the fight science is waging against aridity and the misery it engenders for hundreds of millions. Here, a climate will not only be reproduced with its exact conditions of light, temperature and humidity (as ecologists themselves say it would be ridiculous to spend more than a million dollars to duplicate what nature offers at no cost), but it will be "taken apart" so that the ecologist will be able to learn which of these conditions is essential to plant life.

The plant scientist can turn his findings over to the agricultural engineer whose task is to raise food production. For example, if soil is over-irrigated a plant often "transpires" too much and wastes water.

From The Unesco Courier (United Nations Economic, Social and Cultural Organization).

At the same time, too much water can actually lower its absorption of carbon dioxide in the process of photosynthesis, whereby plants create living matter from carbon dioxide, water and mineral salts.

In other words, the study of how

a plant behaves in the "ecotron" will allow scientists to determine precisely how much irrigation water it should receive and how often—thereby both raising its productivity and reducing its consumption of scarce water.

(2) HUNGRIEST HIBERNIANS

THE Irishman's dinner table is the most heavily laden in the world, with those of the New Zealander and the Dane only slightly lighter.

This is evident from statistics on Net Food Supply Per Caput—Calories, contained in the *Production Yearbook** Vol. 13, published recently by the U.N. Food and Agriculture Organization.

These show that 3 500 calories of food are available daily to the

Irishman, 3,430 to the New Zealander and 3,350 to the Dane.

Fourth on the list is the Englishman with 3,260 calories, followed by the Australian—3,200, the Swiss—3,180 and the Canadian—3,110. The United States and Argentina have a net food supply in terms of calories of 3,100 each. Three other countries with a calory supply of 3,000 and above are Norway—3,080, Finland—3,070 and Austria—3,050.

**Price \$5.00 or 25s. or equivalent in local currency, available from FAO Sales Agents or from the Sales and Distribution Section, FAO, Rome, Italy.*

(3) FROST RESISTANCE OF PLANTS

A BLACK currant bush has withstood a temperature of 253 degrees Centigrade below zero, or only 20 degrees above Absolute Zero, in an experiment at a Soviet artificial climate zone.

Professor Ivan Tumanov, corresponding member of the U.S.S.R. Academy of Sciences and head of the artificial climate station, in describing the experiment to a *Tass* correspondent, explained that the

black currant bush had been gradually hardened for the experiment so as to increase its resistance to frost.

In natural conditions a black currant bush is destroyed by a frost of about 40 degrees Centigrade below zero. Yet as a result of this hardening process, the plant actually withstood a temperature of 253 degrees Centigrade below zero.

Professor Tumanov said that the

From Soviet News.

plant had been taken while growing in the summer and the state of rest typical of autumn had been artificially induced. Growth had stopped and resistance to frost had begun to increase. The hardening process then continued with very slow and gradual lowering of the temperature.

At last a state was reached in which the plant was no longer

destroyed even by very severe frost.

Microscopical observations have shown that ice did not form inside the plant's cells but in the space between the cells. This was a result of the hardening process. Water escaped from the cells in good time and turned into ice outside the protoplasm. This ensured resistance to such low temperatures.

The Rehovot Declaration

THE following are the main points of the "Rehovot Declaration," adopted on August 25 by the International Conference on Sciences in the Advancement of New State held in Israel.

The Declaration stated that:—

It was urgently necessary to reduce the economic, social and cultural disparity between the new and the older established States, both on human grounds and in order to further the welfare of States and to create a more harmonious atmosphere of international relations.

Science and technology were capable of bringing about swift improvements in the conditions of new States.

Emphasis was laid on the need to strengthen scientific education in developing States, and maintain close contact with scientific thought and action in scientifically advanced countries.

The Conference recommended that:—

The Governments of developing States should regard the furtherance of science and technology as a major objective of their national policies and make opportunities to achieve this end.

A thorough survey of natural and human resources should be undertaken as the basis for a development plan with a clear indication of priorities.

There may be cases in which projects of technical assistance and technical education may be applied with advantage by more than one State, adopting a regional approach.

Scientific institutions and research workers in scientifically advanced

From The Israel Digest.

countries should increase their pre-occupation with those fields of research and application which are relevant to the problems of new and developing States.

International agencies, Governments and foundations should carry out expanding programmes of financial aid for developing states.

A Permanent Committee should be set up to maintain contact with

the participants in the Rehovot Conference and with other Governments and institutions supporting its general aims. The Permanent Committee will serve as a clearing-house and forwarding agency for requests and suggestions from developing States and from scientific workers and will try to promote fruitful contacts.

The Permanent Committee will consider the convening of a Second Conference.

Who Works Longest?

Countries	Net hours of work per annum	Legal holidays with pay	Minimum vacation with pay (in days)
France	1920	5	18
Canada	1928	7-9	12
United States	1984	7	6
United Kingdom	2192-2152	6	6-12
Ireland	2184	6	7
Belgium	2212	10	6
Sweden	2212	11	18
Norway	2272	10	18
Denmark	2230	8-9	18
Italy	2288	16	10
Austria	2296	12-13	12
Western Germany	2296-2140	10-13	12
Netherlands	2352-2320	6-10	12
Luxembourg	2352	10	8
Portugal	2376	9	6
Switzerland	2416-2370	4-8	6-12
Greece	2408	3	8

From Prospects. Swiss Bank Corporation.

What Russia's "Revaluation" of the Rouble Means

by PAUL EINZIG

THERE has been a great deal of speculation in the free world about the meaning of the Soviet plan for a "heavy rouble." A wide variety of explanations have been put forward from various quarters. It seems probable that the decision was based not on one consideration but on a combination of several considerations. The following is a list of some of the possible reasons for the change:—

1. It simplifies reckoning and accountancy.
2. Recipients and holders have more respect for a monetary unit of higher value.
3. The international prestige of the rouble would increase.
4. The multiple currency system would be brought to an end.
5. Most rouble notes that found their way abroad could be demonetized (that is, deprived of their monetary value).
6. The change could prepare the way for Soviet Russia to join the International Monetary Fund.
7. The change is part of an effort to make the rouble an international currency.

French Experience.

Those who have followed the recent French experience with the heavy franc can have no doubt

about the advantages of removing one nought from the figures used in everyday life and in business accounting. By far more important than the actual saving of time and effort obtained by the arithmetical change is its psychological effect. There can be no doubt that French people have now more respect for their currency than they had a year ago, and there is no reason why it should be otherwise with the peoples of the Soviet Union—always provided that the value of the new unit will be kept up. This kind of operation does not improve with repetition.

While on the previous occasion, in 1947, when 10 old roubles were exchanged for one new rouble, the main object of the transaction was to destroy the value of note hoards, at present there does not appear to be such an intention. Holders will have three months during which to exchange their notes and there are no indications that the Soviet authorities would discriminate against holders of large amounts. It is possible, however, and even probable, that the measure is partly directed against holders of rouble notes outside the Communist bloc. Relatively large amounts of such notes are bought and sold in Basle and other foreign markets, and the assumption is that most of them were

from 'Optima' (Anglo-American Corporation)

smuggled abroad, presumably by refugees from behind the Iron Curtain. Particularly strict control against the re-importation of notes during the first three months of 1961 would prevent the exchange of these notes into heavy roubles and they would lose their value.

The existence of a multiple currency system, under which there is a different rate for the benefit of foreign residents and tourists, and yet another rate for rouble notes abroad, is detrimental to the prestige of the rouble and in all probability the opportunity of the change will be taken to do away with it. This might be followed by an application by the Soviet Government for admission to the International Monetary Fund. It has long been realized in Moscow that the decision immediately after the end of the war not to participate in that institution was a mistake.

Rouble and Dollar.

More important than any of the above considerations is the Soviet Government's desire to make the rouble look the dollar in the face. A simple arithmetical operation is all that is needed to enable Soviet propaganda to claim that the rouble is now worth more than the dollar. From this point of view it is surprising that, while they were about it, they have not gone a step further and made the heavy rouble even heavier, so that it should be worth more than sterling. But that would have necessitated the fixing of a less convenient ratio between old cur-

rency and the new, and it would involve difficulties and waste of time in converting the figures to the new unit of account. The fact that, even though sterling is worth nearly three dollars, it has been the weaker of the two currencies almost all the time since the war, speaks, of course, for itself among experts. What really matters is whether, at its new parity, the domestic purchasing power of the rouble will continue to be inferior to that of the dollar or of sterling. But to the general and not very literate public to which Soviet propaganda is addressed, such considerations are meaningless. They are liable to be impressed by the claim that the gold value of the rouble will now be higher than that of the dollar.

Considerations of prestige must not, however, be underrated. They may prove to be of great practical importance. It seems probable that the main reason for the change is the Soviet Government's desire to strengthen the international role played by the rouble, and, to that end, the increase of its prestige abroad is expected to be helpful. Even after the change, the heavy rouble will presumably be no more convertible than the old rouble is. Although it is conceivable that some limited market will develop in the leading financial centres in heavy rouble transfers, the volume of activity in that currency is bound to remain limited, because of the reluctance of most banks in the Western countries to keep large balances in Moscow. Even if the

Soviet Government were to undertake to convert at any time such balances into sterling or dollars, most banks would be reluctant to assume substantial commitments. It is difficult to visualize a forward market in roubles which would enable them to safeguard themselves against the exchange risk. And there can be no safeguard against blocking or confiscation. Foreign importers and exporters, too, are bound to be reluctant to agree to fix the payments in roubles. The possibility that the Soviet Government might alter once more the value of the rouble with a stroke of the pen would mean sleepless nights to all merchants or bankers with large claims or liabilities in roubles.

Result of Increased Prestige?

This does not mean, however, that the attempt to increase the international use of the rouble through the impending change is foredoomed to failure. Indeed it would be wishful thinking to underrate its importance. For in one respect the change might well prove to be helpful towards that end. At present trade between the Soviet Union and China is transacted on a United States dollar basis, and trade between the Soviet Union and uncommitted countries is transacted mostly on a sterling basis. It is possible that, as a result of the increased prestige of the rouble, the Soviet Government may be able to persuade its trading partners among these countries to accept the rouble as the currency of payment in trade

agreements. For the sake of increasing the prestige of the rouble, the Soviet negotiators might be willing to make concessions in other respects in return for putting the transactions on a rouble basis. Possibly it will be made a condition to the granting of long-term credits, or it may influence the prices at which goods are bought and sold in trading with the Soviet Union. It is conceivable that, in such agreements, a gold clause—for what it is worth—would be inserted as an insurance against a change in the parity of the rouble.

The practical effect of the increased use of the rouble in trade agreements would be that it would reduce the Soviet Government's sterling requirements. At present it holds substantial balances in London, partly in order to meet requirements arising from trading operations with countries outside the sterling area. To the extent to which such operations would become payable in roubles, sterling balances held against them could be disposed of. The liquidation of these balances would reduce to a corresponding extent the need for selling Russian gold abroad. The Soviet Government is obviously reluctant to sell gold, and only does so to the extent it has to in order to meet its balance of payments deficits. It would much prefer to retain more of its current gold output in order to strengthen the gold backing of its note issues.

Gold Reserves.

It is well on the cards that, sooner or later, the Soviet authorities will

announce the size of their gold reserve in an effort to increase the prestige of the rouble. Presumably, such an announcement would be timed to coincide with a period of heavy gold outflow from the United States, with the object of bringing the contrast into relief. The change may not take place for years, or it may take place fairly soon, according to whether the Soviet Government is in a position to disclose a gold reserve that would bear comparison with that of the United States, allowing of course, for the difference between their respective trading and financial requirements.

There would be no cause for London to regret a decline of Soviet sterling balances as a result of an increased international use of the rouble. Even though they have been acquired and kept here for commercial purposes, it is not conceivable that the Soviet authorities might, in given circumstances, feel tempted to make political use of them by selling out at an inopportune moment when their operations would be liable to cause the maximum of embarrassment. A reduction of Soviet sterling balances would mean a reduction of a source of potential weakness for sterling.

From the point of view of sterling, dollar and the other major currencies of the free world, it has now become more important than ever to avoid anything that would undermine confidence in their stability. The emergence of the heavy rouble as an international currency would necessarily challenge comparison,

and any weakness in the principal Western currencies would be detrimental to Western prestige in the uncommitted countries. The spectacle of a shaky dollar or sterling contrasted with a stable heavy rouble would mean loss of face for the United States or Britain, with adverse political consequences. The formidable strength of the dollar has been one of the bases on which the immense world prestige of the United States has rested. It would be highly damaging to the free world if a wave of distrust in the dollar were allowed to develop at a time when the rouble appears to be going from strength to strength. Likewise, Britain's prestige would suffer heavily if the experiences of 1949 and 1957 were allowed to recur at a time when the external prestige of the rouble is on the increase.

Conclusion

The conclusion that emerges from an examination of the objects and consequences of the impending change in the Soviet monetary system is that Western statesmen must respond to the challenge by reinforcing their determination to place their national currencies above suspicion. This must be done, however, without the adoption of restrictive monetary measures that would hamper the expansion of the output in the free world. For, even more important than to meet the challenge of the heavy rouble is to meet the challenge of the Communist industrial drive. It is up to the Western statesmen and experts to

reconcile the apparently conflicting aims of safeguarding the stability of the currency while stimulating the expansion of production. The answer lies to a large degree in international co-operation. A reduction of customs barriers in Western Europe and in other parts of the free world would go a long way

towards achieving price reduction and the most economical use of manpower, thereby counteracting any revival of the inflationary trend. This, together with closer international co-operation to safeguard currencies against speculative attacks should be the answer to the Soviet challenge.

Manchester First

FIRST free public library in Europe, Chetham's Library, 1653.

First cotton mill in Britain with a steam engine, Arkwright's Mill, Miller Street, 1783.

First table of atomic weights of the elements, John Dalton, Manchester Literary and Philosophical Society lecture, 1810.

First artificial splitting of the atom, Manchester University Laboratories, by Rutherford, 1918 (be-

fore he repeated the experiment at Cambridge in a different form in 1919).

First railway and station for passenger traffic by steam locomotives, Liverpool-Manchester Railway and Liverpool Road Station, Manchester, 1830.

First municipal public parks, Queens Park and Phillips Park, 1846.

First municipal water supply, Longdendale, 1851

From Municipal Information Bureau, Manchester.

MANCHESTER FOLKS WEARING CANADIAN-MADE RAINCOATS

A CANADIAN manufacturer has achieved a feat comparable to selling coals in Newcastle by a substantial sale of rainwear cloth in Manchester, headquarters of Britain's textile industry.

This was disclosed by George A. Drew, Canadian High Commissioner in London.

Discussing actual marketing suc-

cesses he said a Canadian firm had exceeded its greatest hopes with a sale of 40,000 dresses for this year's summer's trade in the U.K.

"One of the most surprising things," Mr. Drew commented, "is that one company alone is going to sell 110,000 tons of steel ingots in Britain this year. This is the first time that Canada has shipped steel in any quantity in Britain."

From The Toronto Globe and Mail.

Cartel-Europa ?

THERE is much talk of the efforts made by European organizations to create a vast market in which free-trade would allow increased competition and lead to a better international division of labour. Less is heard of the agreements concluded by the producers themselves, many of whom are actively engaged in forming networks of industrial solidarity extending far beyond mere national frontiers. And yet is not integration the result of a double pressure applied from below by private international bodies and national states who, by the part they play as arbiters and helpers, strengthen the bonds between nations?

Europe of Business

In any case, it is a fact that the Europe of international institutions has very quickly become a Europe of business—to such an extent that some are wondering to-day whether EEC, the European Economic Community of the Six, will escape being crushed by the giant concentrations of industrial power it has made possible. The mergers that have taken place in the European iron industry since the inauguration of the Coal and Steel Community in 1952 are certainly ground enough for some concern. However, it must be allowed that they are the result of technical necessity and do not extend beyond national frontiers. The opening of the Common Market and, to a less extent, the formation

of the European Free Trade Association of the Seven—EFTA—have, in their turn, led to similar mergers in other branches of industry. But many of them, and some of the most important ones, derive from a wish to transfer part of production to other EEC or EFTA countries and thereby profit from local advantages of a commercial, financial or fiscal nature. Such mergers are thus in accordance with one of the aims of integration, namely that of obtaining a better international division of labour.

U.S. takes a share

The same may be said of the majority of agreements concluded by companies from different countries under the impact of a coming fusion of European markets. Relying on information published in the daily and the specialist periodical press, we have been able to establish that, since the EEC came into force in January 1958, there have been no less than 65 agreements between big concerns in the EEC and EFTA countries. These 65 agreements apply to 175 companies mostly registered in EEC countries. However, 18 of the latter are registered in the United States and 25 in the EFTA area. The relatively small number of EFTA firms who have made such agreements can be explained on the one hand by the Stockholm Convention, to which EFTA owes its existence, having been signed over two and a half

From Swiss Bank Corporation Bulletin.

years after the Rome Treaty creating EEC and, on the other, by the lack of enthusiasm shown in EFTA, which is felt to be a temporary coalition motivated by tactical considerations. Furthermore, it is quite possible that the statistics for EFTA are less representative than those for EEC, as firms in the area of the Seven customarily give less publicity to their affairs.

Characteristics

Whether it is EEC or EFTA firms who come to an understanding, the main characteristics of this are the same. Such understandings refer either to the joint creations of new companies or to the formation of communities of interest. The former type appear to be particularly numerous: of the 65 we have traced, 30 are of this kind. The other 35 are agreements on joint production, on distribution, on technical and financial questions or refer to associations of common interest whose exact purpose has not or has not yet been disclosed.

Agreements on the creation of new undertakings seem to be particularly frequent in the electrical engineering and electronics industry (10 out of a total of 30) and also among banking

and finance corporations running international investment trusts for the administration of capital invested in foreign securities (7 out of 30). Agreements on problems of production, distribution and finance and the expression of common interests seem to be more often met with in the aeronautical industry (7 out of a total of 35).

French, German, and to a less degree Italian firms are those most ready to come to an understanding. In the electrical engineering and electronics industry, France took part in the creation of 10 joint companies, Germany in 8 and Italy in 3. In the sphere of aircraft construction and in the sector of engineering and metallurgy, agreements on various problems and common interests are more frequent than the creation of new companies. French concerns are parties to 7 and 5 agreements respectively, German to 7 and 3. Italy is most interested in agreements dealing with the automobile industry and the domain of finance. As for British and American firms, they are respectively parties to 9 and 17 important agreements, whereas French firms participate in a total of 45, German of 31 and Italian of 20.

"UNCONSCIONABLE TIME A-DYING

"I AM beginning to think that the twentieth-century historian will only need to write about America and Russia. The old world of Europe is on its death-bed, and can never make a full recovery. We may be able to make ourselves useful to our new masters as schoolteachers and the like, as the Greeks to their Roman lords; and we may be able to make a detailed study of how we met our end."

—JOHANN-JAKOB BACKOFEN, 1869.

The Tax Question

TAX changes are needed, not only to check recessions, but to help speed our economic growth. Professor Burns* emphasizes the great risk we run in keeping a tax system that not only discourages enterprise and investment, but also "diverts the energy of some of our ablest citizens into channels that may bring a tax advantage to them or their firms but do little or nothing to raise the nation's productivity."

He contrasts our continued acceptance of a stultifying system of taxation with the measures adopted by the Russians to promote individual effort with appropriate rewards:

... the Russians have in recent

*Former Chairman of President Eisenhower's Council of Economic Advisers.

from First National City Bank Monthly Letter.

years been very methodical in creating large income inequalities. In particular, they reward handsomely their managers, scientists, teachers, and the more skilled factory workers. But while they have been devising special incentives to spur productivity, thereby adopting the practices of our older capitalism, we have adopted a tax system that weakens the incentive to create and produce.

Can it be that the Russians have rediscovered one of the main secrets of Western economic success, while we have allowed our idealistic impulses to obscure the sources of our own great achievements?

The Myth of National "Insurance"

NATIONAL "insurance" as we know it is a myth. Pensions have to be paid out of money currently deducted from other people's earnings, whether the deductions are called contributions or taxes. Calling them taxes would not only be less misleading but would also make possible significant administrative economies.

In any revised pensions policy one good principle may be extracted from the 1959 Act. In effect, the Act defines pension rights the employers must grant to employees. The mistake consists in allowing them to do

it either privately or through the State and then confusing the issue by introducing a re-distributive element into the State scheme.

Most classes of employers could be obliged to provide most classes of employees with minimum pension rights, and be left to make private arrangements for funding them. Greater tax concessions (contingent though on full transferability of pension rights) could encourage the provision of pensions above the legal minimum. Private pension schemes, discriminate against the

From A Monthly Bulletin.

man with a physical weakness. That some men may have to retire early or may die early is unjust, but is not society's responsibility—not now that the best medical treatment is available free. Compounding physical handicaps with financial handicaps is very much society's responsibility. Here is a necessary function for a—selective—graduated State scheme.

Perhaps while we are about it we should have a compulsory graduated State scheme to cover not only those with physical weaknesses but, unless they care to make equivalent or better private arrangements, also the self-employed and any employees not covered by legislation on private schemes. No scheme can cater on a strict contributory basis for those

who earn little or are long unemployed, nor for new immigrants. A decent minimum pension payable simply on the ground of lack of other resources must therefore be an item in any respectable pensions policy.

For the moment, what should employers do about contracting out? Ind Coope possesses the historic document, Certificate of Non-Participation No. 1. If only because brewing has probably a higher proportion of existing private schemes than most industries, we may expect many other brewers to follow this example. Certainly the gain in industrial relations would seem to justify sacrificing the financial gain to be had from segregating people at the £11-a-week mark.

Poland: A Thousand Years in Europe

by KONSTANTY GRZYBOWSKI

POLAND is celebrating her Millennium in the sixth decade of the 20th century not because the tribes, from which the Polish nation developed, settled in these territories one thousand years ago—that had happened centuries before. Neither was it the appearance in these territories of a policy which eventually developed into the Polish state—that had also taken place much earlier. The sixth decade of the 20th century was chosen for the Millennium celebrations because one thousand years ago Poland clearly entered the mainstream of Hellenic-Latin-Christian civilization, and has

been closely linked with it ever since, sharing its fortunes and undergoing similar transformations. She has drawn her own national bequest from this great cultural heritage, and at the same time added her own contribution. It is the common fate shared with this civilisation that gives meaning to Poland's thousand years in Europe—one thousand years, let it be added, not of nationalistic antagonism towards other European nations, but of community with them; one thousand years, too, of a distinct national, state and cultural personality within the European family.

From Polish Perspectives, Warsaw.

Twentieth Century Democracy and Heroic Leadership

by ARTHUR SCHLESINGER, Jr., Professor of History in Harvard University.

WHAT political system is best adapted to bring about the necessary combination of discipline and progress? In countries like Britain and the United States, with plenty of time and resources, with traditions of education and self-government, without major population problems, and with a belief in strong leadership, multi-party democracy was able to do the job—though even in these countries the suffrage, for example, was extended slowly (if far more slowly than necessary) and did not become universal for adults until after the First World War. But few of the new nations of the mid-twentieth century are comparably blessed; they are desperately in a hurry, their resources are inadequate compared to their populations, their level of education is low, their civic traditions are feeble, and modernization threatens nearly all the traditional institutions which hold society together. In such conditions, it is hardly surprising that heroic leadership should seem the most effective means of charging semi-literate people with a sense of national social purpose.

Problems in New Nations

The real division in these countries is not between left and right; it is between hard and soft—between leadership which has the will to do

what must be done to lay the foundations for economic growth, and leadership which falters before the vested interests of traditional society or the peremptory challenges of rising social groups. This desire for effectiveness accounts, of course, for the vast appeal of Communism to the people of under-developed countries. (Ironically Communism's historic destiny, despite the expectations of Marx, appears to be as a technique for rapid modernization in the agrarian world, not as a guarantee of millennium in the industrial world). For similar reasons, non-Communist countries seeking modernization have recourse to dominating world personalities—Kemal, Diem, Sukarno, Ayub, Bourguiba, Nkrumah, Mag-saysay, Munoz, Nyerere, Mboya; and Nasser, Castro, Mao. Even in a nation like India, which has made an extraordinary effort to establish and use representative institutions, one feels that democracy would not have had its relative success if it had not been for the personal authority of Nehru. The use of the heroic leader as a focus for purpose in the epoch of transition is an obvious convenience for a new nation. The question is whether it can be reconciled to the theory and practice of democracy.

And, as noted at the start, the resort to heroic leadership is not

From A Conference organized in Berlin by the Congress of Cultural Freedom.

just a phenomenon of the new nations. European nations, struggling with problems beyond their control, watching national energies dissipate in the merry-go-round of multi-party democracy, have sought discipline and purpose in the strong leader. De Gaulle's return to power in France is only the most spectacular example of a mood which has found milder expressions in Adenauer of Germany, in the confusion which has overtaken Italy since the death of di Gasperi, and even—it is solemnly argued—in the benign 'father image' of Eisenhower in the United States.

Need for Leadership

The future remains indeterminate. Heroic leadership can lead toward democracy or away from it—depending on what the leader does with his power, and what his people permit or encourage him to do. New countries will continue to need the Legislator; old countries in crisis or at war may sometimes resort to the Dictator, but these developments do not necessarily mean the end of democracy. To invoke Eisenhower as evidence of an irresistible Caesarism exposes the argument; the United States has surely suffered in recent years, not from an excess of

leadership, but from its absence.

An adequate democratic theory will recognize that democracy is not self-executing; that the acceptance of the need for leadership implies no criticism of self-government but is rather the indispensable means by which self-government becomes possible; and that Caesarism has been more often produced by the failure of weak government than by the success of strong ones. Thurman Arnold once spoke of "the absurd idea that dictatorships are the results of a long series of small seizures of power on the part of a central government." The exact opposite was true: 'every dictatorship which we know flowed into power like air into a vacuum because the central government, in the face of a real difficulty, declined to exercise authority.' So too Plato saw tyranny as the consequence, not of responsible authority, but of anarchy. As democracy itself develops a realistic conception of the indispensable place of leadership in the democratic process—the indispensable role of leadership as witness to man's freedom—it will be in a better position to judge the pretensions of heroic leaders—and it will probably experience far less need for them.

WEEKLY NEWSPAPER FOR ELECTRONICS INDUSTRY

ELECTRONICS Britain's fastest-growing industry, now has its own newspaper. **Electronics Weekly** is a new concept in scientific and technical journalism. Working within the framework of world electronics, it provides scientific and technical news coverage on a scale never before attempted in this country. The basic aim of **Electronics Weekly** is to give concise, authoritative, easily-readable treatment of up-to-the-minute news relating to the electronic-based industries.

Readers' Commentary

VELOCITY OF CIRCULATION

From: R. F. Bartlett, Arborfield, Bon Accord Road, Swanage.

Sir,

I am afraid Mr. de Mare falls in to the error of all those who have not mastered the '*Pons Asinorum*' of this problem—the sixth method of monetary issue and control.

Money does NOT 'buy' things in the true sense, it simply effects the exchange of one form of goods and services for another. With £100 one can 'buy' and exchange values many times in excess of the original sum in a given period. The quantity of goods remains the same but the amount of the exchange tokens to carry this out varies with the number of exchanges affected in a given time—i.e. the velocity of circulation. An inspection of, say, the I.C.I. balance sheet will show the extreme importance of 'turnover.'

To ascertain the amount of currency needed to do a year of the Nation's business requires that the highest average velocity of turnover to occur. This figure multiplied by the currency of all forms issued, should, to avoid inflation, equal the value of the goods produced in that period. Prices, given a stable standard of value, are determined by the Law of Supply and Demand, and what raw materials and labour one

is prepared to give in exchange for the goods desired in return.

The other 'nigger in the woodpile' is the hoarding of currency or cash such as occurs when the bank rate drops to low levels. The sudden release of such can throw sand in the works.

The system of currency issue must therefore ensure the maximum velocity of circulation and discourage hoarding. A demurrage currency does both of these things.

The article on depreciating money, in your September issue, has a bearing on this. Money MUST amortise like the goods it helps to create. If otherwise the system gets clogged up and the natural law of supply operates by depreciating the purchasing power of the money taken in order to balance the account. You can have it, therefore in either of these two ways. A demurrage currency balances the account, stabilises the standard of value and ensures the highest velocity of circulation and disposes of the old bogey of lack of purchasing power to absorb production.

The Cohen Report shows clearly that on the normal velocity of circulation, currency and credit have been overissued 20 times—in other words the currency is operating at 5% efficiency.

HOW TO REDUCE TAXES

From : Kyrle W. Willans, All Cannings, Devizes.

Sir,

I HAVE read the article by Sir Oscar Hobson and speaking as an overburdened Tax & Rate payer it is a relief to read that in his opinion substantial cuts in taxation are not impossible in the lifetime of the present Parliament.

As a member of a Parish Council much concerned with the steady rise in rates, the centre paragraph in the right hand column, page 238, of Sir Oscar Hobson's article, interested me greatly.

I would not however describe the requirement that Local Authorities shall borrow on their own credit as "a rather odd coincidence."

At the moment housing, sewerage, and water supply are rapidly and rightly expanding throughout the country. Surely a "Public Works Loan Board" should be the source of the requisite finance and if, as seems likely, this is derived from taxes there is no reason why loans should not be made at nominal rates of interest.

My Council has been vainly endeavouring to obtain from our Rural District Council an approximate figure of the proportion of our rates required to pay interest on loans outstanding.

Obviously a considerable amount of our taxes must go to pay interest on Government borrowings, mainly I imagine, of bank created credit. Surely the simplest method of reducing taxation is for the Government to act as the creator, under control, of course, by Sir Oscar's Giant Computer or some other method.

In this connection, after reading well nigh endless correspondence about the new £1 notes, I suggested that the point that had escaped attention was that once the Sovereign's head appeared on the notes they became legal tender, like metallic currency; and the fatuous "I promise to pay" should vanish.

Provided the notes are legal tender then surely there is no need to borrow for Local Government purposes, or for any other Government purposes.

MY VERDICT

by GEORGE STRAUSS, M.P.

BRITAIN is lagging miserably behind other industrial nations in every aspect of road transport. And our needs are greater than any.

What we are doing, despite proud claims, is chicken-feed compared to what is being done in Europe and the United States.

from Highway Times

Digest Reviews

BRITAIN IN EUROPE?

The Commonwealth and Europe. A study sponsored by Britain in Europe Ltd., written by The Economist Intelligence Unit. 42/- (including postage).

Can a way be found to reconcile the present system of Commonwealth trade with British participation in a new economic system in Europe? This book attempts to give an answer to this vitally important question. It analyses the available evidence and the future effects on the Commonwealth of the present moves towards freer trade in Europe. It deals with the main economic issues relating to the Commonwealth such as the Sterling Area and Commonwealth Preference and discusses the kind of arrangements which might be acceptable if the Six and the Seven come together. It concludes that if the E.E.C. and E.F.T.A. were to merge, it would be possible to arrange terms which neither violated the principles of the Common Market nor did serious harm to Commonwealth trade.

SOUTHERN COMMONWEALTH

Australia—An Economic and Investment Reference. Published under the Authority of the Commonwealth of Australia. Australian News and Information Bureau.

Providing "a conservative assessment of a confident and progressive country," words used by the Australian Prime Minister, Mr. Menzies in his foreword, this

attractive, illustrated guide will be found invaluable by exporters, investors and others. Changing and increasing demands are plotted. Secondary industries are growing; yet only about a fifth of Australia's requirements of machine tools and about one-half of her metalworking machinery needs are home-produced. The tariff, securities and housing, taxation and company systems are competently reviewed.

The use of American spelling is a sombre reminder to the British industrialist and inventor of the growth of political and economic influence from outside the family.

TOO SERIOUS A MATTER

Deterrent or Defence; a Fresh Look at the West's Military Position. By B. H. Liddell Hart. Stevens. 30s. (In U.K.).

He whom General Chassin described in 1957 as "the greatest military thinker of the twentieth century, whose ideas have revolutionised the art of war" has written here no *magnum opus* but strung together some views on contemporary strategic problems.

The views are to be heeded; their presentation is scrappy. Captain Liddell Hart also underestimates Britain's material power at the time of Suez. The author's opinions on the British nuclear deterrent are also arguable. We found of particular interest the discussion of the ratio of force to space—a concept Captain Liddell ascribes to T. E. Lawrence.

TRADE AND INVESTMENT

Studies in British Overseas Trade, 1870-1914. By S. B. Saul. Liverpool University Press. 35/-

Capital Imports into Sterling Countries. By A. R. Conan. Macmillan 18/-

The early part of the period covered by *Studies in British Overseas Trade* saw Britain at the peak of its supremacy in world trade. By 1870 British industry was in an unchallenged position and the vast outpouring of wealth was stimulating the development of the world economy. The prospect was of an almost unlimited expansion in the volume of world trade. By the end of the period, the position had radically changed. British industry was facing increasing competition as a result of the expansion of other industrial powers.

Mr. Saul examines this changing pattern and the general issues facing Britain's international economy. In the second part of his book he examines trade relations within the British Empire with particular reference to Canada and India.

Capital Imports into Sterling Countries deals with the 10-year post-war period ending in 1958 and the author has confined his survey to countries of the overseas sterling Commonwealth. He has also limited the subject-matter to long-term capital including funds borrowed by Governments as well as business enterprises. He raises doubts as to whether Government to Government loans will prove a satisfactory method of finance and also points out that

dollar investment is not without its drawbacks. Coming to such institutions as the International Bank he queries whether an institution with such a world-wide scope can operate as efficiently as one with a more limited field owing to costs of operation. "Such costs" he says "would be minimised by a Commonwealth Bank catering for the needs of a group of countries and able to give expert appraisal to specific subjects".

MONOPOLY

The Control of Monopoly in the United Kingdom. By Paul H. Guenault and J. M. Jackson. Longmans. 25/-

It was not until 1948 that a British Government took steps to institute any system of controls to deal with monopolies and restrictive practices in spite of the fact that for many years this question had been one to which considerable importance had been attached by influential bodies, official and otherwise. The authors of this book are concerned with questions of *control* of monopoly rather than with the complex problems of monopoly itself. They examine the 1948 Act and its effects and go on to analyse twenty-two reports of the Monopolies Commission. The Restrictive Trade Practices Act, 1956, is outlined and while they feel that it is too early to pass any final judgement, they suggest that the new legislation "still constitutes only an inadequate and hesitant approach to the control of monopoly."

TARIFF REFORM AND SOCIAL REFORM

Imperialism and Social Reform; English Social-Imperial Thought 1895-1914. By Bernard Semmel, Ph.D. Studies in Society No. 5. Geo. Allen & Unwin. 28s.

Modern Imperialism has been more democratic than aristocratic. The Imperialism of Tory Democracy (Disraeli's "*Imperium et Libertas*") had more in common with reforming Socialism than with classical Liberalism. The Fabian Society supported the 'survival of the fittest' in the Boer War—one of Dr. Semmel's chapters is on "Social Darwinism," the adaptation of the theory of biological evolution to national, racial and imperial organisms—and Leopold Amery was a Fabian at Oxford before he became a "Co-efficient" and a great philosopher of Conservatism and Commonwealth. Robert Blatchford, keen soldier and author of "Merry England", was really a Cobettian Tory in search of "a Middle Way."

Indeed the theories competently, succinctly yet a little superficially here described and analysed in what is an improved version of the author's dissertation for his doctorate at Columbia University in 1955, represent a justified revolt against the callousness of *laissez-faire* and the cosmopolitanism of Free Trade. Sir Halford Mackinder, neglected father of geopolitics, puts his finger on what is still a vital point, the primacy of production over finance, of industrial, mercantile and "man-power" (he

invented the word) over money power.

Dr. Semmel is to be congratulated on recalling concepts not yet outdated.

VIRGINIAN

That Great Lucifer: A Portrait of Sir Walter Raleigh. By Margaret Irwin. Chatto and Windus. 25s.

The precincts of Westminster Palace testify to England's ingratitude to heroes who did her good abroad. A plaque in Westminster Hall marks where Warren Hastings was impeached and acquitted. Outside in New Palace Yard, the proud, poetic, versatile Sir Walter Raleigh, founder of English colonies in North and South America, was beheaded to make a Spanish holiday.

"He had sought knowledge in every science, and had tried to bring it within the reach of all. He and his half-brother Humphrey Gilbert had planned to found a University in London for practical learning, a 'Queen Elizabeth's Academy' for naval and military training and the Arts of Navigation and Shipbuilding, engineering, and the making of maps and charts; and above all of history as a practical influence . . .

England needed, and Elizabeth II's Britain needs, such foundations. She needs all-rounders like him whom Miss Irwin has brought so brilliantly to vibrant life and whose statue now stands in Whitehall to the pleasure of many of the Commonwealth and the United States to whose history he belongs.

MONEY AND CREDIT

British Monetary Experiments 1650-1710. By J. Keith Horsefield. London School of Economics (G. Bell & Sons). 45/-

This is an interesting study covering as it does a period of sixty years during which time fundamental changes were taking place in the British monetary and credit system. The year 1694 saw the founding of the Bank of England and it was during the latter part of the 17th century that credit creation first appeared to supplement an inadequate supply of metallic currency.

The author brings out the great controversies of the period which provides useful background material for students of monetary policy for they are not without relevance to modern problems. The bibliography includes some 500 printed and 100 manuscript sources.

TWENTY YEARS AFTER

Leopold III. By James Page. The Monarchist Press Association (7 Sutherland Road, London, W.13).

This is a revised edition of a booklet published in December 1959 in defence of a maligned Christian monarch. The Congo having renewed interest in Belgium, that small country with big problems, many will wish to read twenty years after the tragedy and misunderstanding of 1940 the other side of the story then circulated in France and England.

CAMBRIDGE BOOKS

The Economics of Shipbuilding

J. R. PARKINSON

40s. net

Productivity and Technical Change

W. E. G. SALTER

22s. 6d. net

Concentration in British Industry

R. EVELY &

I. M. D. LITTLE

Published for the National
Institute of Economic and
Social Research 55s. net

The Economic Background to Investment

H. B. ROSE

Published for the Institute
of Actuaries 40s. net

The Economic Background to Agricultural Policy

EDITH H. WHETHAM

Cloth, 22s. 6d. net

Paper, 13s. 6d. net

CAMBRIDGE
UNIVERSITY PRESS

SHORTER NOTICE

Tibet and the Chinese People's Republic: A Report to the International Commission of Jurists by its Legal Committee on Tibet, Geneva 1960.

A horrifying documented account of Chinese Communist cold-blooded cruelty and oppression and the persecution of the Buddhist faith predicted by the thirteenth Dalai Lama in his Political Testament.

Mistapim in Cambodia. By Christopher Pym. Hodder and Stoughton. 16s.

A delightful, illustrated travelogue, full of humour, of an entrancing, though not untroubled, kingdom.

The Anglo-American Predicament. By H. C. Allen. Macmillan. 30/-

The author examines the various alternatives which confront Britain and the U.S.A. in the 1960's. He considers that for Britain to enter the Common Market or a United States of Europe would have many political disadvantages and dangers, but to stay out may also have as many. He examines the possibility of closer ties with the Commonwealth and the U.S.A., but suggests that even these do not supply the complete answer which we would find within a federal Atlantic Union (save the mark!)

FOR REFERENCE

Items in this Section will be kept for one year. Any of our readers and any member of the Economic Research Council who wishes to refer to any of them is invited to apply, citing the appropriate number or numbers (given in brackets after each item).

Coal

Britain's Coal. A Study Conference organised by The National Union of Mineworkers. March, 1960.

Papers presented by E. F. Schumacher S. Kessler and Dr. Townsend. (43)

O.E.C.C.

The Elimination of Double Taxation. Organisation for European Economic Co-operation.

The third report of the O.E.E.C. Fiscal Committee. (44)

Economic Conditions in Member and Associated Countries of the O.E.C.C.

Spain (45)

Denmark. (46)

Belgium-Luxembourg Union (0).

Rumania

Rumanian Statistical Pocket Book. 1960. Central Statistical Office of the Rumanian People's Republic. (47)

SWARAJ

SELF-GOVERNMENT means continuous effort to be independent of government control whether it is foreign government or national. Swaraj government will be a sorry affair if people looked up to it for the regulation of every detail in life.

—Mahatma Gandhi.